

ACCOUNTING FOR FACILITIES PROJECTS & THE NEW OPSC AUDIT

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CASH CONFERENCE 2010

PREPARING FOR THE PROJECT

Preparation starts at project concept

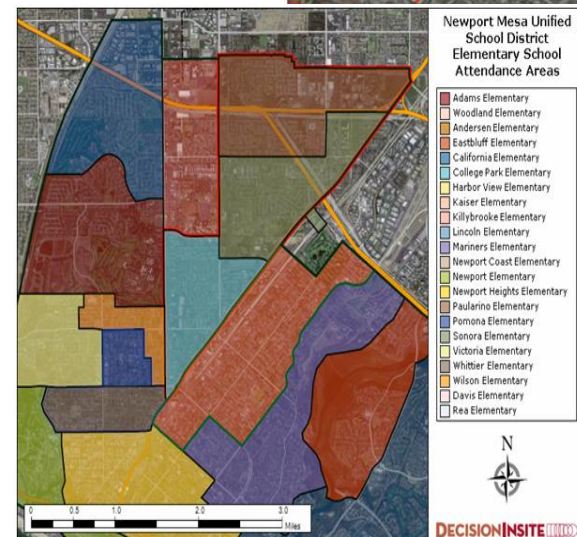
Master Planning

Funding

Coding Structure

Project Concept

- Understand the Master Plan
 - What are the goals of the plan?
 - Defining Need
 - Any Budgets?
 - What is included/excluded
 - Hard/Soft Costs
 - How real are they?
 - How old are they?



Build a Funding Strategy



□ Local Funds

- Prop 39 Bonds
 - School Facilities Improvement District
 - Federal Direct Allocations
- 

□ Other Sources

- Developer Fees and Mello-Roos (CFD's)
 - Redevelopment
 - Special Reserves
 - Certificates of Participation
 - *The funding of last resort!*
- 

Build a Funding Strategy

□ State Funds through SAB/OPSC



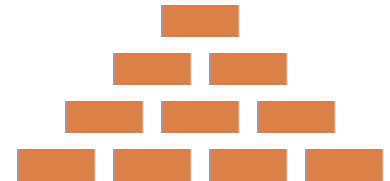
- New Construction Grant
- Modernization Grant
- Charter School Facility Program
- Critically Overcrowded School Program
- School Facility Joint-Use Program
- Career Technical Education Program
- Overcrowding Relief Grant
- High Performance Incentive Grant
- Seismic Mitigation
- Labor Compliance Program Grant
- Facility Hardship Grant
- Rehabilitation Grant
- Financial Hardship



Build a Funding Strategy



- State Funds through CDE
 - ▣ Preschool Modernization
 - ▣ Career Technical Ed Facilities Program
- Federal Funds
 - ▣ Qualified Zone Academy Bonds
 - ▣ Qualified School Improvement Bonds
 - ▣ Build America Bonds
 - Taxable tax credit bonds



School Energy Efficiency Programs Block Grant Program + State Energy Program - Schools are eligible

...stay tuned!

Funding

- Understand each funding nexus
 - ▣ Begin with the end in mind
 - ▣ Watch out for the politics
- Determine how you will handle the **Multi-Fund, Multi-Year cash flow challenge**
 - ▣ Management by PO/Contract coding
 - ▣ Management by consolidating project dollars
 - ▣ Management by transfer of expenditures

Email leboggs@colbitech.com for a free white paper on managing cash

Coding Structure

- Capitalization rules \neq Inventory rules
 - Capitalize through Function
 - Inventory through Objects

- 5800's or all 6000's
 - What type of consultant?
 - What phase of work?
 - Where does it go on the 50-06?

6000
object
codes
work
better
for
facilities
projects

Coding Structure

- Differentiate objects by at least the columns on the SAB 50-06
 - ▣ Skip page two if you are not doing Condemnation and associated Relocation
 - ▣ See Sample Object Code List attached

- The difference between Facilities and M&O project coding

MANAGING THE PROCESS

Establish project and program budgets

Review processes

Budget - Contracts/PO's - Payments

Budgets & Budget Adjustments

Contracting

Payments

Establish and Manage Contingency

Project

Program

Establish Budgets

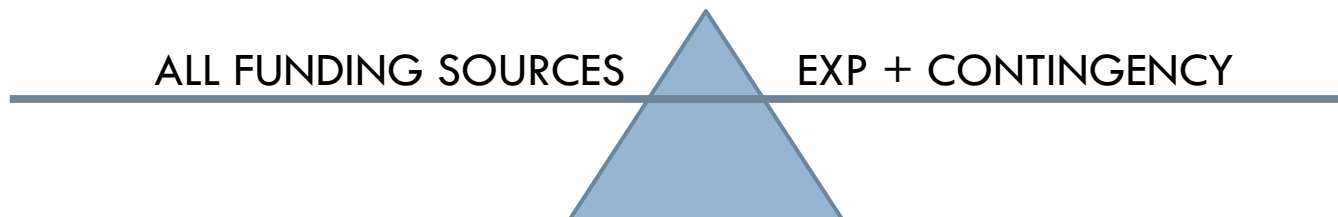
□ Project Budgets

- Funding Sources
- Expenditures by Object
- Project Level Contingency

■ *To layer or not to layer???*

□ Program Budget

- All Projects Combined
- Administrative Control
- Program Level Contingency



Sources and Budgets Report

This reports lists projected funding sources and expenditure budgets for multiple projects

WARNING: (2) Unposted Changes

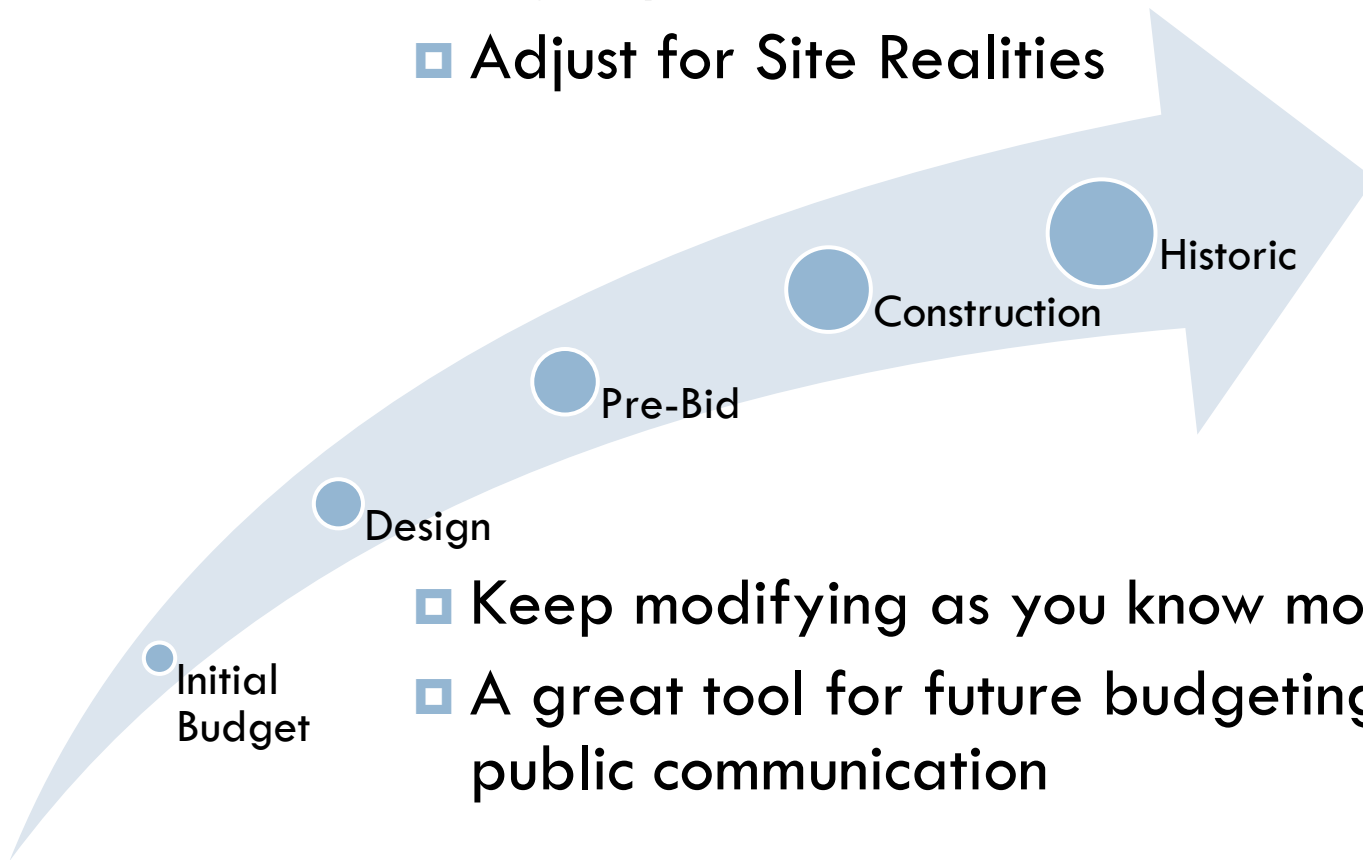
Code	Category - Item	Bond Program Control Unallocated	Friendly High School Phase 1 (2)	Friendly High School Phase 2B	Friendly High School TUNNEL 8-20 (2)	La Habra High School Phase 2B (2)	Sunny Hills High School Phase 2B (2)	Turquoise High School Phase 2B	xBuena Place High School Phase 2B (2)	Totals
Funding Sources										
State	State Fund	0	5,411,407	1,854,113	4,190,933	2,161,596	2,374,957	1,528,582	3,042,855	20,564,443
35	State Fund SFP	0	5,411,407	1,854,113	4,190,933	2,161,596	2,374,957	1,528,582	3,042,855	20,564,443
Local	Local Fund	5,500,000	5,585,558	1,236,075	2,727,154	1,462,499	1,592,485	2,360,885	4,202,635	24,667,291
21	Building Fund	0	0	0	0	0	0	0	638,557	638,557
22	G.O. Bond: Prop N	2,000,000	2,770,885	934,558	1,637,600	814,671	832,829	149,468	544,883	9,684,874
25	Capital Facilities	3,500,000	0	288,290	0	0	0	0	0	3,788,290
23	G.O. Bond: Prop O	0	2,814,673	13,227	1,089,554	647,828	759,656	2,211,417	3,019,218	10,555,570
TOTAL FUNDING		5,500,000	10,996,964	3,090,188	6,918,087	3,624,095	3,967,442	3,889,467	7,245,490	45,231,734
Expenditures										
A	Site	0	950	0	0	0	0	0	0	950
B	Planning	0	1,133,833	407,719	498,209	385,658	422,741	395,026	578,250	3,821,436
C	Construction	0	9,063,498	2,442,894	6,119,457	3,088,522	3,436,301	3,365,071	6,521,600	34,037,343
D	Testing	0	77,460	0	5,000	15,650	10,756	8,855	19,140	136,860
E	Inspection	0	205,772	21,219	221,707	103,500	74,010	111,065	96,290	833,563
F	Furniture & Equipment (F&E)	0	515,451	218,356	0	30,765	23,634	9,450	30,211	827,867
G	Project Contingency	5,500,000	0	0	73,714	0	0	0	0	5,573,714
TOTAL EXPENDITURES		5,500,000	10,996,964	3,090,188	6,918,087	3,624,095	3,967,442	3,889,467	7,245,490	45,231,734
BALANCE REMAINING		0	(0)	0	0	0	0	0	0	0

BUDGET REPORTING

Individual budgets + administrative control = whole program

Establish Budgets

- Budget phases
 - ▣ Adjust for Site Realities



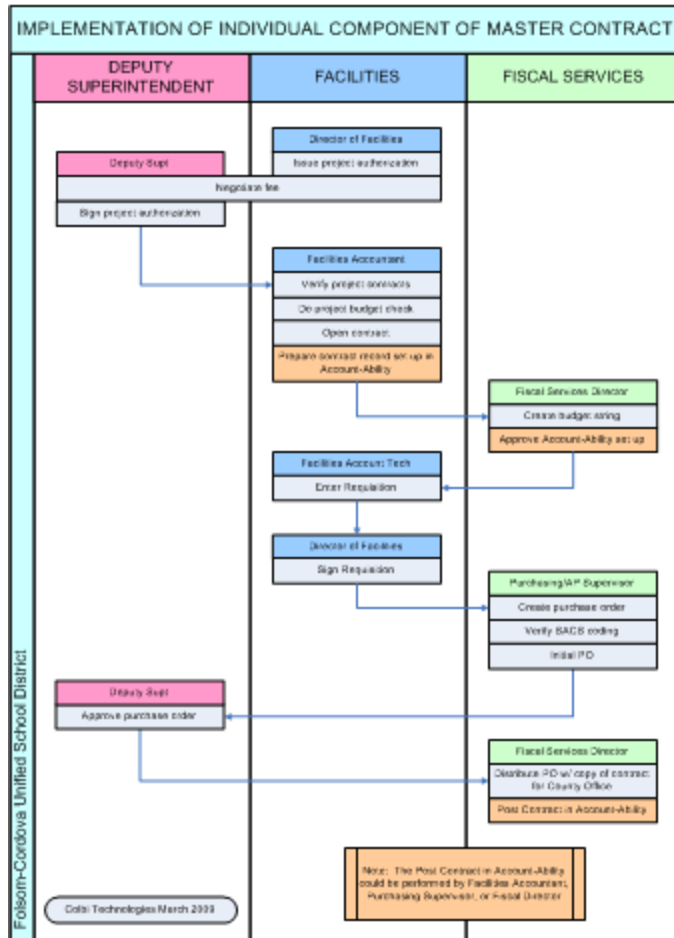
- ▣ Keep modifying as you know more
- ▣ A great tool for future budgeting and public communication

Review Processes



- Establish Budgets
- Issue Contracts/Purchase Orders within Budget
- Issue Payments per the Contract/PO

Process Flow



- Budgets
- Budget Adjustments
- Contracting
 - ▣ Construction
 - ▣ Professional Services
- Payments
- Stop Notices
- Change Orders
- Emergencies

Contingency

- Establish Contingency

- Project level
- Program

- Manage Contingency

- Guard it until you are through the most vulnerable part of the job
 - Soil for New Construction
 - Building Envelope for Modernizations

- Contingency differs from Reserves

MANAGING THE PROJECT

Project delivery method matters

The district team

Capture the Process & Expenditures

Keep the project record

Monitor Program Progress

Delivery Method

Project delivery method matters!

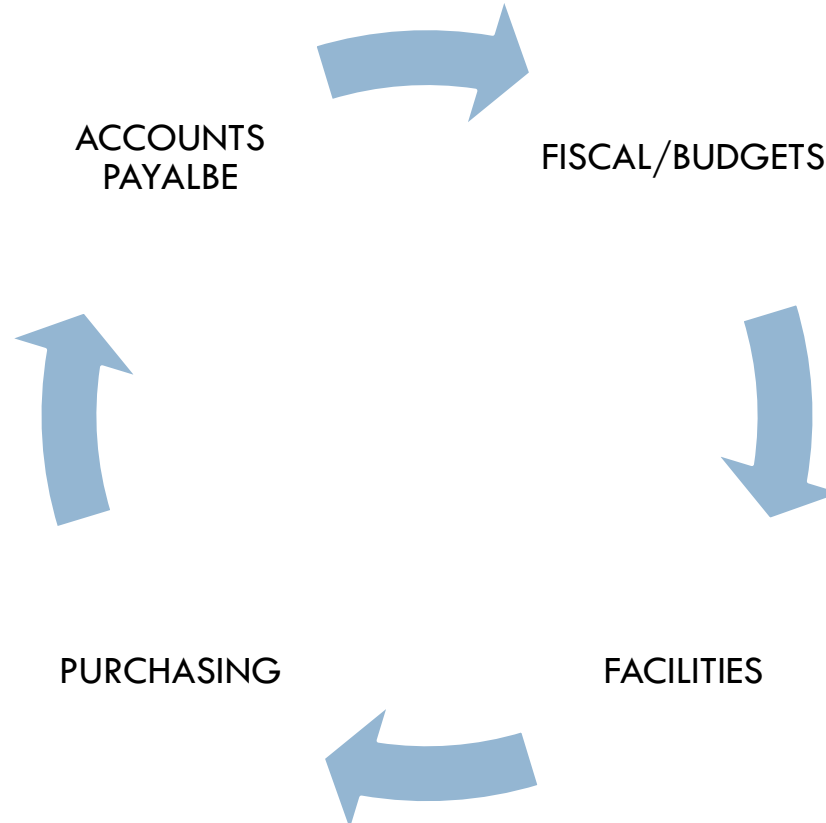
- Design-Bid-Build
- Construction Management
 - ▣ At Risk
 - ▣ Multi-Prime
- Lease-Lease Back
- Design-Build



How many contracts?

The District Team

A broken team will cost the district more!



Capture Process

- Site Acquisition info – *More detail!*

- Approval Letters
 - CDE
 - DTSC
 - DSA
 - OPSC

- Competitive Process documents

Track as you go!!! (See Index Handout)

Track Expenditures

- Contracts
 - Board Approvals
- Payments
 - With approvals and warrant info
 - Keep a project record separate from alpha
- Change Orders – *with DSA stamps!*

Amethyst Valley High - Modernization

Project Budget Aging Report

Project Budget (Working Budget) (2)

			Project Aging			
			Actual	Actual	Actual	
Code	Category - Item	Budget	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Funding Sources						
State	State Fund	6,024,367	557,887	5,466,480	0	0
Local	Local Fund	4,302,630	0	634,701	3,410,952	256,977
TOTAL FUNDING		10,326,997	557,887	6,101,181	3,410,952	256,977
Expenditures						
A	Site	25,666	100	15,282	10,284	0
B	Planning	1,059,830	369,003	350,444	148,196	192,096
C	Construction	8,992,159	0	567,301	4,969,069	3,455,788
D	Testing	30,585	0	0	16,719	13,866
E	Inspection	218,757	500	28,241	99,336	90,680
F	Furniture & Equipment (F&E)	0	0	0	0	0
G	Project Contingency	0	0	0	0	0
TOTAL EXPENDITURES		10,326,997	369,603	961,268	5,243,604	3,752,430
ENDING BALANCE		0	188,284	5,328,197	3,495,545	92

Schedules and Cash Flows indicate progress *(or lack!)*

Cash flow puts the dollars in time

Behind in expenditure levels does not mean it will cost less!

Ahead in spending does not mean you will be done early!

AND PASS THE AUDIT!

Understand the programs

SAB 50-06 and PIW

Clear and concise documentation

The appeal process

The new audit

OPSC Program Requirements

- Prop 39 Bonds
 - Oversight Committees
 - Progress audits
 - Web reporting requirements
- SFP Progress Audit
 - Annual submittals of 50-06
 - Progress Info Worksheet
 - With 50-05
 - With first 50-06
 - With final 50-06

The OPSC Audit

- Governor's Accountability Measures
- New Auditors
- Training from Finance
- Audit Sub-Committee Meetings

THE NEW PROCESS...

THE ENTRANCE INTERVIEW

Auditors come to the district



They will audit all unaudited projects




They preview the audit process and likely steps



District receives an audit agenda

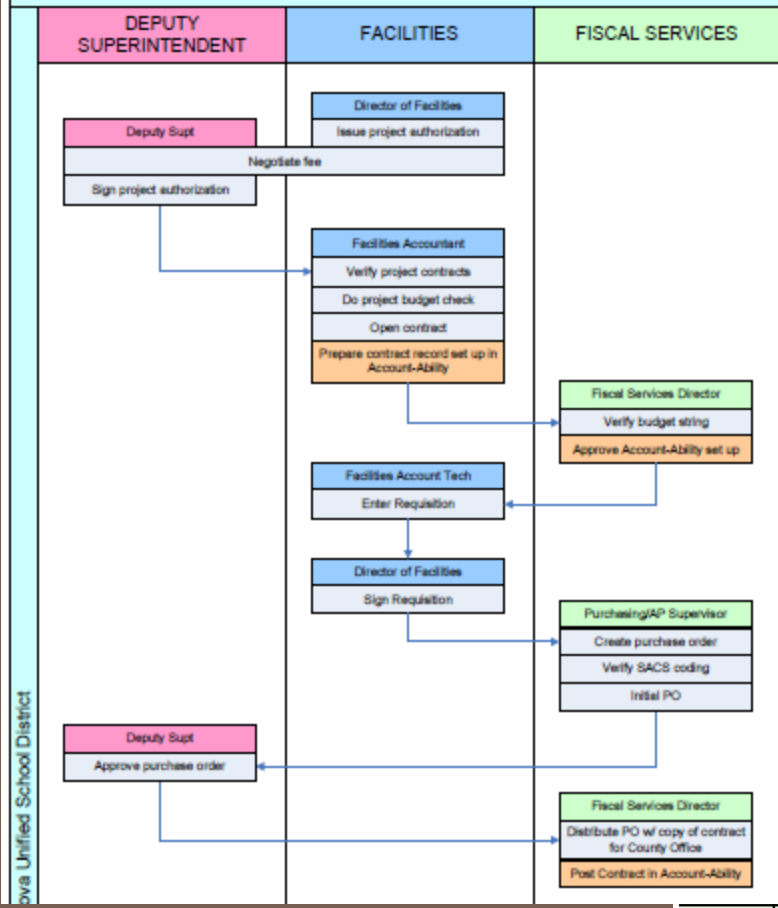
INTERNAL CONTROLS

Provide Board Fraud Policy
(CSBA 3400)



Provide flow charts and
any related narratives
or procedure documents

IMPLEMENTATION OF INDIVIDUAL COMPONENT OF MASTER CONTRACT



Buena Unified School District

WARRANT TRANSMITTAL Account-Ability

Contract: Buena Place High School - Phase 2A Contract: Henry Woo Architects Inc Type: Professional With Reimbursables

Henry Woo Architects Inc 3111 Henry Woo Architects Inc 17000 Canyon Rd San Juan Capistrano, CA 91789	Contract Date: 07/01/2002	Initial Contract: \$100,000.00	<table border="1"> <thead> <tr> <th colspan="5">Routing List</th> </tr> <tr> <th>Review / Approval</th> <th>Days</th> <th>Date</th> <th>Initials</th> <th></th> </tr> </thead> <tbody> <tr> <td>Preparer</td> <td></td> <td>/ /</td> <td></td> <td></td> </tr> <tr> <td>Program Manager</td> <td></td> <td>/ /</td> <td></td> <td></td> </tr> <tr> <td>Dir of Business Svcs</td> <td></td> <td>/ /</td> <td></td> <td></td> </tr> <tr> <td>Accounts Payable</td> <td></td> <td>/ /</td> <td></td> <td></td> </tr> <tr> <td>Warrant Received</td> <td></td> <td>/ /</td> <td></td> <td></td> </tr> </tbody> </table>		Routing List					Review / Approval	Days	Date	Initials		Preparer		/ /			Program Manager		/ /			Dir of Business Svcs		/ /			Accounts Payable		/ /			Warrant Received		/ /		
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Dir of Business Svcs		/ /																																					
Accounts Payable		/ /																																					
Warrant Received		/ /																																					
NTP Date:	Changes:	\$89,417.00																																					
Duration Days: 0	Contract Amt:	\$189,417.00																																					
CC Date:	Reimbursables:	\$1,000.00																																					
NOC Date:	Contract+Reimb:	\$190,417.00																																					
Description:	Less Expended:	\$93,137.14																																					
	Less Withholding:	\$0.00																																					
	Available Balance:	\$97,279.86																																					

Amount To Pay: 3,466.67

PO Number	Invoice Number	Date	Invoice Amount	Special Instructions
PO-2	11185	01/11/08	3,466.67	Mail check to Company
Total:			3,466.67	

Date	Audit Description	Authorized	Withheld	Remittance	Balance	Warrant #	Date
17/01/02	Initial PO: Henry Woo Architects Inc	100,000.00			100,000.00		
08/14/02	Services from 7/1-7/31/02			4,521.85	95,478.15	70032533	10/02/02
09/05/02	Services from 8/1-8/31/02			4,351.59	91,126.56	70032534	10/02/02
10/08/02	Services from 9/1-9/30/02			3,803.86	87,322.70	70033266	10/28/02
11/06/02	Services from 10/1-10/31/02			4,664.45	82,658.25	70034170	12/03/02
12/19/02	Services from 11/1-11/30/02			2,614.00	80,044.25	70035256	01/17/03
1/11/03	Services from 12/1-12/31/02			2,650.42	77,393.83	7035855	02/06/03
3/13/03	Services from 1/1-1/31/03			3,020.00	74,373.83	70037441	04/11/03
3/20/03	Services from 2/1-2/28/03			2,310.00	72,063.83	70037711	04/25/03
4/09/03	Services from 3/1-3/31/03			2,453.00	69,610.83	70038445	05/30/03
5/05/03	Services from 4/1-4/30/03			1,889.00	67,721.83	70038444	05/30/03
10855	05/31/03 Services from 5/1-5/31/03			1,589.00	66,132.83	70038927	06/18/03
10863	07/01/03 Services from 6/1-6/30/03			2,165.00	63,967.83	70040229	08/14/03
10864	07/31/03 Services from 7/1-7/31/03			2,582.00	61,385.83	70040505	09/02/03

FLOW CHARTS & PROCEDURES

FISCAL DOCUMENTATION

General Ledgers for all facilities
funds



All GL transfers related to projects



Audit Reports with Comments &
Responses



Savings to/from records



PROJECT SITE VISITS



Visits based on site maps, with locations bubbled

WHAT HAS NOT CHANGED

Auditors will verify 50-06 to GL expenditures



Relative rankings & other analysis



Auditors will verify contracts to expenditures



Unique coding string for each project

THE USUAL DOCUMENTS

Initial contract = First invoice

Add all approved change orders

Verify to final invoice

Auditors will review...

Contracts

Warrants


NTP's

NOC's

Change
Orders

VERIFICATIONS

Classroom count or square footage
verified to approval



50-05 to Occupancy Date



50-06 to Hard Costs (60% Rule)



RRMA 3% Verification

DOCUMENTATION

- The Audit Checklist Binder
 - ▣ Keep documents as the project progresses
 - ▣ Document anything unusual to the file

- The Expenditure Record
 - ▣ Expenditures filed by object with a 50-06 as index works great!

- Respond Well – Dedicate the Required Staff
 - ▣ You may need to do a spreadsheet to make your process clear

- If you get any special permissions/arrangements...
 - ▣ Do the confirming email – *very important!*

APPEALS

- Try to resolve with your field rep
- Talk with the rep and supervisor
- Meet with the appeal team
- Meet with the Exec Director or Deputy
- Meet with Asst Director (SAB staff)
- Appeal to the State Allocation Board
 - ▣ Visit with each SAB member
 - ▣ Know your votes in advance
 - Pull it if you don't have enough votes
 - ▣ If it is going your way – be quiet and sit down!

ASK FOR HELP IF YOU NEED IT!



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